

Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ISO-00 TRSE-00 IGA-02 EB-11 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 L-03 DRC-01 /133 W

----- 013970

R 220754Z FEB 74

FM AMEMBASSY SEOUL

TO AMEMBASSY MANILA

INFO SECSTATE WASHDC 2606

C O N F I D E N T I A L SEOUL 1252

E.O. 11652: GDS

TAGS: EAID EFIN KS

SUBJECT: SEOUL WATER SUPPLY PROJECT GOOI

REF: MANILA 1833

MANILA PASS USADB

DEPT PASS TREASURY - FINKEL

1. WE HAVE BEEN ADVISED THAT ON FEB 16 ROKG
FORWARDED TO ADB THEIR DECISION TO PURCHASE THE GETZ/
HUNT/WHASHIN PACKAGE. THEY INCLUDED DOCUMENTATION
SUPPORTING THEIR POSITION THAT THIS MEETS PRIRECT
REQUIREMENTS AT LOWEST TOTAL COST TO SEOUL CITY. BY
LETTER OF FEB 12, TRANS-ASIA ADVISED SEOUL CITY
THAT WITH GUARANTEE (SEE PARA 3 BELOW) AND ASSURANCE
ALL REQUIRED PARTS WILL BE FURNISHED. PACKAGE WILL
FUNCTION IN ACCORDANCE WITH IFB. CITY HAS ISSUED
PROVISIONAL NOTICES OF AWARD, SUBJECT TO ADB APPROVAL,
TO KEEP WITHIN EXTENDED BID VALIDITY DATES. WE UNDER-
STAND THAT CTE HAS SENT A TECHNICAL TEAM TO MANILA TO
CONTEST DECISION.

2. WE HAVE NOT MADE A DETAILED ANALYSIS OF ALL BIDS IN
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RELATION TO IFB REQUIREMENTS, HOWEVER IT HAS BEEN STATED

TO US BY BOTH TRANS-ASIA AND SEUL CITY THAT ALL BIDS
DEVIATE TO SOME EXTENT FROM IFB REQUIREMENTS. BOTH
ALSO AGREE THAT FRENCH EQUIPMENT REQUIRES MODIFICATION
OF CIVIL WORKS NOW IN PLACE AND THAT IT ALSO ENTAILS
CERTAIN HIGHER OPERATING COSTS.

3. SEOUL CITY HAS OBTAINED FROM CITED THREE SUPPLIERS
A JOINT GUARANTEE OF PERFORMANCE WHICH PUTS THEIR OFFER
ON SAME BASIS AS FRENCH OFFER RECOMMENDED BY TRANS-ASIA
IN ITS FINAL REPORT.

4. RE PARA 5 REFTTEL, POSSIBILITY THAT SOME US EQUIPMENT
IS BEING INCLUDED IN ORDER TO GET US TO APPLY PRESSURE
FOR PREDOMINATELY JAPANESE BID NOT IN ACCORD WITH OUR
INFORMATION THAT PACKAGE IS APPROXIMATELY 55 PERCENT
US AND 45 PERCENT JAPANESE.

5. WE AGREE REMAINING QUESTION NOW HINGES ON COST TO
CITY OF CIVIL WORKS MODIFICATION AND OF DIFFERENTIAL COST
OF OPERATING AND MAINTENANCE OVER PLANT LIFETIME.

6. WE BELIEVE ROKG SINCERE IN ACTIONS TAKEN. AS A
RESULT OF EFFORTS OF FRENCH AMBASSADOR TO HAVE DECISION
REVISED, PROJECT HAS BEEN REVIEWED BY ALL GOVERNMENT
ECHELONS UP TO PRIME MINISTER AND BLUE HOUSE
(PRESIDENT'S OFFICE). SEOUL CITY ADVISES THAT APPROVAL
RECEIVED FROM ALL INCLUDING BLUE HOUSE. PRIME MINISTER
AND ROKG BOARD OF AUDIT AND INSPECTION.

7. ACCEPTING THE PREMISE THAT BOTH SEOUL CITY AND
TRANS-ASIA ARE SINCERE IN POSITIONS TAKEN AND
RECOGNIZING DIFFICULTY IN RESOLVING DIFFERENCES
REGARDING MODIFICATION AND O AND M COSTS, WE BELIEVE
THE POSITION OF THE ENDUSER, WHO HAS THE MOST AT STAKE,
DESERVES OUR SUPPORT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WATER SUPPLY SYSTEM, PROGRAMS (PROJECTS), PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 22 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SEOUL01252
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740215/aaaaaoar.tel
Line Count: 96
Locator: TEXT ON-LINE
Office: ACTION AID
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: MANILA 1833
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 01 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 AUG 2002 by elyme>; APPROVED <21 JAN 2003 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SEOUL WATER SUPPLY PROJECT GOOI
TAGS: EAID, EFIN, KS, ADB-1
To: MANILA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005